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TAGS: PREL EINV ETRD SP RS  
SUBJECT: SPANISH PRESIDENT ZAPATERO'S VISIT TO FOCUS ON  
ECONOMIC INVESTMENT

REF: MOSCOW 4419

Classified By: Political M/C Alice G. Wells. Reasons 1.4 (b/d).

¶11. (C) Summary: Spanish President Zapatero's September 28 meeting with President Putin in Sochi will focus on economic cooperation and trade, concentrating on a "big push" to stimulate the interest of Spanish investors. The visit will also reinforce traditionally strong Russian-Spanish relations and highlight Spain's efforts to deepen ties between Russia and the EU. The two presidents also hope to sign an agreement on the status of the Spanish cultural center in Moscow. End Summary.

¶12. (C) Spanish President Zapatero will meet with President Putin in Sochi in his second official visit to Russia on September 28, which is also the second high-level Spanish visit in a month. Spanish Foreign Minister Moratinos visited Moscow on August 30 to discuss bilateral relations in preparation for Zapatero's visit as well as in his capacity as OSCE CiO (reftel). Although Spanish diplomats noted that some OSCE concerns may be raised, Zapatero's meetings will focus primarily on bilateral issues.

Strong Economic Ties, But Not Yet At Full Potential

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¶13. (C) In a September 10 meeting, MFA First Secretary for Spain Mikhail Rossiyskiy told us Zapatero's visit will focus on economic cooperation and trade. Spanish trade with Russia grew by over 20 percent to 4.2 billion dollars in 2006. Exports to Spain mainly consist of Russian chemical goods; Spanish imports to Russia are primarily composed of machinery, consumer goods, and agricultural products. Both Russian and Spanish diplomats agreed that Russian hydrocarbons do not complicate the bilateral relationship, as Spain imports no gas and only negligible amounts of oil from Russia.

¶14. (C) Neither side feels trade and investment have reached their full potential and both sides want to initiate a "big push" to attract more Spanish investors to Russia. Rossiyskiy cited as an example the possibility of Spanish firms investing in the establishment of a high-speed train network between Moscow and St. Petersburg. Russia will host a seminar on investment in railways in September that several Spanish companies have shown interest in attending. Rossiyskiy also told us Spanish investors are interested in electricity production in Siberia. He noted that lack of technology and expertise in harsh weather conditions were a problem and no investment has been made yet, but they were working to develop new solutions.

Spain Pushes For Stronger EU-Russia Ties

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¶15. (C) Agreeing with the MFA assessment that the bilateral

relationship was very strong, the Spanish Embassy told us Zapatero will also discuss with senior GOR officials ways to deepen ties between the EU and Russia. Noting the August 30 trip was Fm Moratinos's fourth visit to Moscow in three years, Russian and Spanish diplomats stressed that Spain is in favor of a deeper, more integrated role for Russia in European affairs and generally supports the speedy conclusion of PCA negotiations. Sell regarded the choice of Sochi as a venue for the meeting as a positive signal from the GOR because it was likely to allow more time for Zapatero and Putin to meet.

Cultural Center Irritant Resolved

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¶6. (C) During FM Moratinos's most recent visit, one continuing irritant in the relationship, the tax status of the Institute Cervantes (the Spanish cultural center in Moscow), was addressed. The Center had been taxed as a business due to "commercial" factors such as Spanish language classes, and the Spanish had delayed the opening of the Pushkin Institute, a Russian cultural center, in Madrid until the issue was resolved. Rossiyskiy told us that a mutually agreeable solution to the "technical" tax problems had been found, and Putin and Zapatero may sign the agreement in Sochi. The Institute Cervantes will continue to provide language classes, cultural events, and resources for Russian students wishing to study abroad.

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